

KONKA GROUP CO., LTD.

THE THIRD QUARTERLY REPORT 2008

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Konka Group Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false or misleading statements or omit any material facts and accept the individual and joint responsibilities for accuracy, correctness and completeness of the contents of this report.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the accuracy, correctness, and completeness of the first quarterly report.

1.3 All directors attended the Board meeting.

1.4 The Financial Report of the third quarterly report has not been audited.

1.5 Mr. Hou Songrong, Chairman of the Board of the Company, Mr. Yang Guobin, Chief Financial Officer of the Company, and Mr. Ruan Renzong, person in charge of Accounting Organ hereby confirm that the Financial Report enclosed in the Quarterly Report is true and complete.

§2. Company Profile

2.1 Main accounting data and financial indicators

Unit: RMB Yuan

	At the end of this report period	In the period-end of last year	Increase/decrease of this period compared with the same period of last year (%)
Total assets	9,279,511,704.91	9,277,974,998.92	0.02
Owners' equity (shareholders' equity)	3,705,071,897.57	3,547,827,071.63	4.43
Net assets per share	3.08	2.95	4.41
	From the beginning of the year to the end of the report period		Increase/decrease compared with the same period of the last year (%)
Net cash flow arising from operating activities	-80,079,657.45		-137.34
Net cash flow per share arising from operating activities	-0.07		-137.34
	The report period	From the beginning of the year to the end of the report period	Increase/decrease of this period compared with the same period of last year (%)
Net profit	107,383,602.56	187,938,829.77	713.72
Basic earnings per share	0.0892	0.1561	710.91
Basic earnings per share after deducting non-recurring gains and losses	-	0.1580	-
Diluted earnings per share	0.0892	0.1561	710.91
Return on equity	2.90%	5.07%	2.51
Return on equity after deducting non-recurring gains and losses	2.93%	5.13%	2.51

Note 1. Net cash flow arising from operating activities decreased by 137.34%

compared with the same period of last year, mainly because the proportion of bank's acceptance bills in sale accounts received increased slightly, proportion of cash declined slightly, while the proportion of cash paid in sale payment increased and the proportion of bank's acceptance bills dropped, therefore the net operational cash flow decreased due to the above said two factors. However, at the end of report period, monetary capital of the Company was RMB 1.055 billion, bank's acceptance bills available for discount at any time of the Company was RMB 2.608 billion, the total cash and cash equivalent of the Company was RMB 3.663 billion, the cash flow of the Company was in good condition.

2. According to the resolutions of annual shareholders' general meeting 2007, the Company implemented plan of capitalization of capital reserve in Jul. 2008, the Company distributed 10 shares per 10 shares to all shareholders based on total share capital of 601,986,352 shares at the end of 2007, then the total share capital increased to 1,203,972,704 shares. In above chart, all data of net assets per share, net cash flow per share arising from operating activities, basic earnings per share, basic earnings per share after deducting non-recurring gains and losses, diluted earnings per share were adjusted according to total share capital after capitalization of capital reserve.

Items of non-recurring gains and losses

Unit: RMB Yuan

Items of non-recurring gains and losses	Amount from the beginning of the year to the end of this report period
Income from non-operation	6,527,673.55
Expense from non-operation	-8,668,560.23
Gains from stock transfer	-1,678.02
Influenced amount of minority shareholders' gains and losses	-122,173.13
Total	-2,264,737.83

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total number of shareholders	108,325	
The top ten shareholders holding shares not subject to trading moratorium		
Name of shareholders	Number of shares not subject to trading moratorium held	Type of shares
GAO-LING FUND,L.P.	58,353,079	Domestically listed foreign shares
TIG HOLDINGS LIMITED	39,418,200	RMB ordinary shares
GUOTAI JUNAN SECURIES HONG KONG LIMITED	29,401,800	Domestically listed foreign shares
SBCI FINANCE ASIA LTD A/C SBC HONG KONG	26,427,679	Domestically listed foreign shares
NOMURA SECURITIES CO. LTD	13,500,000	Domestically listed foreign shares
Orient Securities-Bank of China - No. 2 Dongfanghong Collective Assets Management Plan	13,000,000	RMB ordinary shares
Taihe Securities Investment Fund	10,114,022	RMB ordinary shares
NAM NGAI	10,111,383	Domestically listed foreign shares
LGT BANK IN LIECHTENSTEIN AKTIENGESELLSCHAFT	7,591,700	Domestically listed foreign shares
Orient Securities-Agricultural Bank of China-No. 3 Dongfanghong Collective Assets Management Plan	7,419,122	RMB ordinary shares

§ 3. Significant Events

3.1 Particular about large-margin changes in main item of accounting statement and financial index and reasons for change

Applicable Inapplicable

1. In the report period, sale income of the Company increased by 18.34%, compared with the same period of last year, the main reason was that color TV products' consumption upgrading and to sized the business chance of the Olympic Games.

(1) The added market from consumption upgrading was the major driver of sale income's year-on-year increase. Color TV industry was undergoing a revolutionary change, the color TV sales volume was still in a certain growth during the progress that the flat-panel TV replaced the traditional CRT television although this progress was accelerated; However, the average unit price was much higher than that of traditional CRT TV. Therefore, the total color TV market would be in a more rapid pace of growth if it was measured by the amount. Despite it was in slowdown in the pace of economic growth currently, but added market generating from consumption upgrading was capable to offset the reduction brought about slower pace of economic growth, or even gained growth. At the situation with the continuous progress of color TV's consumption upgrading, arising from consumption upgrading, the increase of market volume measured with amount would still be important factor of TV industry sales growth.

(2) The tremendous business opportunities brought by Olympic economics was the direct stimulus of the the company's sales growth. Taking advantages of the tremendous business opportunities, the Company seized the all-round Olympic business opportunities and gained good achievement from the aspects of products, technology, marketing and services. Driving by Olympic economic, on behalf of Konka HDTV, Konka i-sport series HDTV sold well, which also promoted the sale of other color TVs, finally the color TV's sale volume of the Company grew significantly.

Resulting from above said two factors, the business income in report period made a year-on-year 18.34% increase; although the sale income was influenced by snow disaster, earthquake in the first half year, the sale income still increased 6.29% in first three quarters in this year.

2. Net profit of first three quarters made a year-on-year 237.59% increase, the sale proportion of high-end products increased largely and the work of saving cost and enhancing efficiency achieved remarkable results.

In the report period, the Company seized business opportunities in the Olympic Games, carried out high-end marketing matching with out brand and further optimized the product structure. The Company not only successfully promoted the high-added-value products' market share, but also broadened Konka's premium space, enhanced the Konka brand and its profitability even on the strength of "value war" that would improve the products' added values. Meanwhile, in order to make the work of saving cost and enhancing efficiency go efficiently, orderly and smoothly and make it achieved obviously, the Company further improved the

efficiency of the implementation of saving cost and enhancing efficiency and strengthened the supervision management in this year. Finally net profit attributable to owners of parent company in the report period increased 713.72% compared with the same period of last year; net profit attributable to owners of parent company in first three quarters increased by 237.59% compared with the same period of last year.

3. Based on inventory at the end of 2007 had a 17.38% decrease compared with the end of 2006, inventory decreased by 13.45% again compared with the end of 2007, the main reason for that was the Company further enhance the management and control on inventory, improved its operation efficiency and sped up its turnover speed.

4. Financial expense in this report period increased by 299.89% compared with the same period of last year, because the due gains of NDF financing business transacted by the Company before reduced the financial expense.

5. Minority interest in this report period increased by 401.22% compared with the same period of last year, which because the gains and losses of shareholders had a large-margin increase resulting from improvement of subsidiaries' profitability.

6. Income tax in this report period increased by 1519.07% compared with the same period of last year, mainly because both of total profit of the Company and the effective tax burden ratio increased in magnitude.

7. Monetary capital increased by 40.17% compared with the year-begin, mainly because the Company invested registered capital on LCD module project.

8. Financial assets available for sale decreased by 83.92% compared with the year-begin, because the Company sold major stock investment held by the Company in this report period.

9. Long-term stock investment decreased by 48.74% compared with the year-begin, because the Company transferred the investment on Guangzhou Huadu Longfeng Jianzhi Real Estate Co., Ltd.

10. Short-term borrowings increased by 1924.67% compared with the year-begin, mainly because the Company and its subsidiaries increased bank borrowings of RMB 0.42 billion.

11. Tax payable increased by 495.15% compared with the year-begin, because the value-added tax increased obviously in this report period.

12. Dividends payable increased by 96.92% compared with the year-begin, because of increase of dividends the subsidiaries announced but retained.

13. Net cash flow arising from operating activities decreased by 137.34% compared with the same period of last year, mainly because the proportion of bank's acceptance bills in sale accounts received increased slightly, proportion of cash declined slightly, while the proportion of cash paid in sale payment increased and the proportion of bank's acceptance bills dropped, therefore the net operational cash flow decreased due to the above said two factors. However, at the end of report period, monetary capital of the Company was RMB 1.055 billion, bank's acceptance bills available for discount at any time of the Company was RMB 2.608 billion, the total cash and cash equivalent of the Company was RMB 3.663 billion, the cash flow

of the Company was in good condition.

14. Cash received when received the investment increased 99.94% compared with the same period of last year, mainly because the Company sold the stock investment held in the report period.

3.2 Progress of significant events and influence as well as explanation on analysis of resolving proposal

Applicable Inapplicable

According to the decision from the 14th Meeting of the 6th Board of Directors, in order to improve the competition on LCD TV field, enhance profitability of LCD TV's industry, the Company would founded the LCD module project company and invested the LCM LCD module projects. The registered capital of this project was RMB 0.35 billion and the Company held all shares. The investment on fixed assets was about RMB 0.886 billion with 8 lines of LCM production. What's more, the yearly output was about 2.4 million pieces, so the Company would invest in stages according to the LCD module market and actual output requirement.

3.3 Implementation on commitments made by the Company, shareholders and the actual controller

Applicable Inapplicable

The OCT Group Co., Ltd. made the following special commitment in share merger reform and its implementation:		
Name of shareholder	Special commitment	Implementation
OCT Group Co., Ltd.	(1) non-tradable Konka Group shares held would not be listed, transacted or transferred within 24 months since the day of listing and circulating option in the A share market. (2) After the commitment period, non-tradable Konka Group shareholder would sell no more than 5% of total shares of Konka Group within 12 months and no more than 10% within 24 months listed and transacted in Stock Exchange.	No shares subject to trading moratorium were applied to list for trade or transferred yet.

Besides, there were no any commitments made by shareholders or the Company.

3.4 Warnings of possible loss or great change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable Inapplicable

3.5 Other significant events need to be explained

Implementation on cash dividend policy:

According to the requirement of Decisions on Revising Certain Rules on Cash Bonus, the Company would revise Articles of Association as soon as possible, make clear cash bonus policy and implement relevant duty on information disclosure strictly.

3.5.1 Securities investment

Applicable Inapplicable

3.5.2 Equity of other listed companies held by the Company

Applicable Inapplicable

Unit: RMB Yuan

Stock code	Short form of stock	Initial investment	Ratio to equity of invested company (%)	Book value at period-end	Profit and loss in the report period	Change of owners' equity in the report period
000002	Wanke A	2,311,748.07	0.00%	766,034.30	0.00	-290,928.80
600891	SST QIULIN	9,000,000.00	3.84%	9,000,000.00	0.00	0.00
Total		11,311,748.07	-	9,766,034.30	0.00	-290,928.80

3.5.3 Investigation, communication and interview of the Company in the report period

Date	Venue	Manner	Visitors	Topics discussed and information provided
Jul. 15, 2008	Meeting room of the Company	Field survey	Orient Securities	Industry's development tendency, the Company's industry status and the Company development strategy.
Aug. 12, 2008	Meeting room of the Company	Field survey	Guangzhou Securities	The Company's core competitiveness, development strategy, market prospect of new products and the progress of relevant works.
Aug. 21, 2008	Meeting room of the Company	Field survey	United securities, orient securities and SYWG BNP Paribas	The Company's status on production and operation, products structure, research and development of new products and the future development prospect
Sep. 10, 2008	Conference room of InterContinental Shenzhen	Field survey	Galaxy Securitie, Orient Securities, Industrial Securities' dealer etc. Jingshun Changcheng, Rongtong funds, Great wall fund etc. organs.	The Company's investment on LCM LCD module project
Sep. 17, 2008	Meeting room of the Company	Field survey	CCB Principal Assets, CJIS Securities	The Company's future development strategy and relevant information on internal management
Sep. 24, 2008	Meeting room of the Company	Field survey	Bohai Securities	The Company's future development strategy, the current situation of color TV and mobile phones, their development tendency and the Company's development line.
Sep. 24, 2008	Meeting room of the Company	Field survey	Harvest funds	The current situation of color TV and mobile phones, their development tendency, the Company's development line and relevant information on internal management.

§ 4 Attachment

4.1 Balance sheet

Prepared by Konka Group Co., Ltd.

Sep. 30, 2008

Unit: RMB Yuan

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current assets :				
Monetary funds	1,054,825,340.61	533,414,589.96	752,558,414.47	556,082,988.52
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	2,635,273,294.70	2,485,632,834.95	2,652,439,759.85	2,531,404,015.11
Account receivable	1,263,143,587.64	1,657,435,171.85	1,040,182,919.53	1,784,148,943.42
Account paid in advance	123,793,805.94	65,676,850.17	151,396,359.00	47,409,754.29
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				

Interest receivable				
Other account receivable	88,368,108.10	68,975,565.67	132,318,283.67	117,507,972.15
Financial assets purchased under agreements to resell				
Inventories	2,539,786,347.60	1,858,159,344.90	2,934,629,182.87	2,199,304,824.83
Hedged items	24,425,569.30	24,471,807.30	1,222,806.47	1,268,883.47
Hedging instruments	8,293,387.77	6,945,398.81	8,293,387.77	6,945,398.81
Non-current assets due within 1 year				
Other current assets				
Total current assets	7,737,909,441.66	6,700,711,563.61	7,673,041,113.63	7,244,072,780.60
Non-current assets:				
Loans and advance				
Available for sale financial assets	9,766,034.30	9,766,034.30	60,721,570.37	60,721,570.37
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	26,472,430.31	1,216,530,315.57	51,645,230.53	898,703,115.79
Investing property				
Fixed asset	1,292,175,798.56	383,161,211.48	1,291,655,083.85	357,402,241.11
Project in construction	78,619,634.81	61,620,723.99	61,936,696.44	56,331,802.81
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets	39,048,207.52	3,319,014.00	47,773,502.60	3,843,152.97
Development expense				
Goodwill	3,943,671.53		3,943,671.53	
Long-term expense to be apportioned	27,864,670.95	6,410,974.99	23,849,638.87	4,577,085.48
Deferred tax assets	63,711,815.27	60,836,750.10	63,408,491.10	60,533,425.93
Other non-current assets				
Total of non-current assets	1,541,602,263.25	1,741,645,024.43	1,604,933,885.29	1,442,112,394.46
Total assets	9,279,511,704.91	8,442,356,588.04	9,277,974,998.92	8,686,185,175.06
Current liabilities:				
Short-term borrowings	445,426,777.14	320,000,000.00	22,000,000.00	
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable	2,831,453,316.13	2,647,937,110.91	3,415,401,298.67	3,205,824,129.42
Account payable	1,050,488,615.83	894,707,926.78	995,897,141.52	1,058,762,163.66
Account received in advance	197,809,128.55	99,690,619.96	223,289,431.96	152,867,288.98
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employees' compensation payable	127,543,048.89	45,199,635.70	162,790,579.83	78,569,552.49
Tax payable	53,846,829.04	73,695,335.52	9,047,560.13	35,495,215.00
Interest payable				
Dividend payable	6,699,605.43		3,402,196.99	
Other account payable	599,549,830.20	417,280,538.10	626,548,059.95	421,386,925.01
Due to reinsurers				
Insurance contract reserve				

Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	5,312,817,151.21	4,498,511,166.97	5,458,376,269.05	4,952,905,274.56
Non-current liabilities:				
Long-term borrowings				
Debentures payable				
Long-term payables				
Specific purpose account payables				
Deferred gains	31,508,563.32	26,238,018.39	29,826,225.37	26,238,018.39
Provisions for contingent liabilities				
Deferred tax liabilities			3,783,805.52	3,783,805.52
Other non-current liabilities				
Total non-current liabilities	31,508,563.32	26,238,018.39	33,610,030.89	30,021,823.91
Total liabilities	5,344,325,714.53	4,524,749,185.36	5,491,986,299.94	4,982,927,098.47
Owner's equity				
Share capital	1,203,972,704.00	1,203,972,704.00	601,986,352.00	601,986,352.00
Capital surplus	1,264,433,372.24	1,255,836,599.25	1,884,899,450.09	1,876,302,677.10
Less: Treasury Stock				
Reserved fund	781,670,420.36	781,670,420.36	781,670,420.36	781,670,420.36
General risk provision				
Retained earnings	459,410,462.70	676,127,679.07	271,471,632.93	443,298,627.13
Foreign exchange difference	-4,415,061.73		7,799,216.25	
Total equity attributable to owners of parent company	3,705,071,897.57	3,917,607,402.68	3,547,827,071.63	3,703,258,076.59
Minority interest	230,114,092.81		238,161,627.35	
Total owner's equity	3,935,185,990.38	3,917,607,402.68	3,785,988,698.98	3,703,258,076.59
Total liabilities and owner's equity	9,279,511,704.91	8,442,356,588.04	9,277,974,998.92	8,686,185,175.06

4.2 Income statement as of the report period

Complied by Konka Group Co., Ltd.

Jul.-Sep. 2008

Unit: RMB Yuan

Items	This report period		The same period of this last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sale	3,406,201,752.85	2,932,985,868.86	2,878,264,072.31	2,389,253,016.07
Including: Operation Sales	3,406,201,752.85	2,932,985,868.86	2,878,264,072.31	2,389,253,016.07
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	3,268,102,196.96	2,827,059,406.12	2,865,682,762.75	2,386,494,042.77
Including: Cost of sales	2,754,103,916.37	2,411,092,454.83	2,291,106,206.84	1,958,451,964.47
Interests expenses				
Handling charges and commission expenses				
Claim expenses-net				
Provision for insurance liability reserve				
Expenses for reinsurance accepted				
Payments on surrenders				

Policyholder dividends				
Taxes and associate charges	789,514.67	17,013.19	219,481.02	13,157.94
Selling and distribution expenses	422,936,325.64	369,250,208.43	448,734,681.34	360,228,688.96
Administrative expenses	102,777,099.02	68,616,652.57	108,053,070.67	52,898,867.80
Financial expense	-12,482,211.48	-21,916,922.90	6,244,418.40	3,646,651.15
Impairment loss	-22,447.26		11,324,904.48	11,254,712.45
Add: gain/(loss) from change in fair value (“-” means loss)				
Gain/(loss) from investment (“-” means loss)	-2,599,725.61	42,875,961.08	3,626,667.78	3,626,667.78
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	135,499,830.28	148,802,423.82	16,207,977.34	6,385,641.08
Add: non-business income	1,390,124.85	965,914.55	2,173,413.63	1,794,761.27
Less: non-business expense	2,563,264.51	1,694,679.29	2,954,018.57	2,109,332.19
Including: loss from non-current asset disposal	248,201.51	143,722.47	969,656.85	480,211.17
IV. Total profit (“-” means loss)	134,326,690.62	148,073,659.08	15,427,372.40	6,071,070.16
Less: Tax expense	22,829,078.96	19,589,842.11	1,410,011.12	
V. Net profit (“-” means loss)	111,497,611.66	128,483,816.97	14,017,361.28	6,071,070.16
Attributable to: Parent company	107,383,602.56	128,483,816.97	13,196,555.46	6,071,070.16
Minority interest	4,114,009.10		820,805.82	
VI. Earnings per share				
(I) basic earnings per share	0.0892	0.1067	0.0110	0.0050
(II) diluted earnings per share	0.0892	0.1067	0.0110	0.0050

4.3 Income statement from the year-begin to the end of report period

Complied by Konka Group Co., Ltd.

Jan.-Sep. 2008

Unit: RMB Yuan

Items	This report period		The same period of this last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sale	9,026,727,739.01	7,635,779,513.19	8,492,370,547.52	7,065,072,394.01
Including: Operation Sales	9,026,727,739.01	7,635,779,513.19	8,492,370,547.52	7,065,072,394.01
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	8,794,421,895.57	7,420,305,740.17	8,434,333,089.90	6,997,635,588.91
Including: Cost of sales	7,334,806,973.41	6,277,610,311.72	6,898,175,281.53	5,887,231,018.62
Interests expenses				
Handling charges and commission expenses				
Claim expenses-net				
Provision for insurance liability reserve				
Expenses for reinsurance accepted				
Payments on surrenders				
Policyholder dividends				
Taxes and associate charges	1,823,949.99	54,054.67	1,375,451.75	26,738.43
Selling and distribution	1,144,658,923.06	972,480,965.31	1,191,460,741.16	925,332,694.58

expenses				
Administrative expenses	315,046,795.56	216,926,285.92	308,580,131.44	156,253,759.64
Financial expense	5,344,444.32	-37,471,068.24	21,294,324.16	14,266,026.43
Impairment loss	-7,259,190.77	-9,294,809.21	13,447,159.86	14,525,351.21
Add: gain/(loss) from change in fair value (“-” means loss)				
Gain/(loss) from investment (“-” means loss)	5,000,082.85	50,241,723.11	3,650,724.48	4,116,372.69
Including: income from investment on affiliated enterprise and jointly enterprise	-	-	24,056.70	489,704.91
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	237,305,926.29	265,715,496.13	61,688,182.10	71,553,177.79
Add: non-business income	6,527,673.55	3,269,190.46	8,438,935.67	6,264,670.24
Less: non-business expense	8,668,560.23	4,848,530.41	7,517,589.35	4,381,694.93
Including: loss from non-current asset disposal	2,661,199.71	467,433.13	2,151,457.80	918,908.72
IV. Total profit (“-” means loss)	235,165,039.61	264,136,156.18	62,609,528.42	73,436,153.10
Less: Tax expense	38,096,636.89	31,307,104.24	8,459,429.44	-1,185,824.73
V. Net profit (“-” means loss)	197,068,402.72	232,829,051.94	54,150,098.98	74,621,977.83
Attributable to: Parent company	187,938,829.77	232,829,051.94	55,670,488.03	74,621,977.83
Minority interest	9,129,572.95		-1,520,389.05	
VI. Earnings per share				
(I) basic earnings per share	0.1561	0.1934	0.0462	0.0620
(II) diluted earnings per share	0.1561	0.1934	0.0462	0.0620

4.4 Cash Flow Statement from the year-begin to the end of report period

Compiled by Konka Group Co., Ltd.

Jan.– Sep. 2008

Unit: RMB Yuan

Items	This report period		The same period of this last year	
	Consolidation	Parent company	Consolidation	Parent company
1. Cash flows for operating activities:				
Cash received from sales of goods or rendering of services	10,352,567,923.36	8,334,469,482.50	9,937,522,984.23	8,653,476,392.50
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets				
Interests, handling charges and commission received				
Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received	51,398,124.17	127,171.99	61,864,875.53	27,724,550.38

Other cash received relating to operating activities	352,667,328.04	255,913,029.15	1,570,201,509.85	1,384,619,792.30
Sub-total of cash inflows	10,756,633,375.57	8,590,509,683.64	11,569,589,369.61	10,065,820,735.18
Cash paid for goods and services	8,608,668,126.94	7,111,343,614.17	7,923,027,757.42	7,224,677,338.72
Loans and advances drawn				
Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	635,630,219.23	376,602,996.23	572,572,934.54	304,764,796.32
Tax and fare paid	681,374,564.00	546,371,943.82	538,083,981.86	379,662,822.33
Other cash paid relating to operating activities	911,040,122.85	605,605,702.02	2,321,457,922.49	1,913,918,540.52
Sub-total of cash outflows	10,836,713,033.02	8,639,924,256.24	11,355,142,596.31	9,823,023,497.89
Net cash flow from operating activities	-80,079,657.45	-49,414,572.60	214,446,773.30	242,797,237.29
2. Cash Flows from Investment Activities:				
Cash received from return of investments	28,307,682.22	33,516,841.77	14,158,191.00	23,912,541.47
Cash received from investment income	5,428,766.15	53,191,595.33		14,948,242.13
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	371,027.76	240,710.00	548,386.65	303,302.00
Proceeds from sale of subsidiaries and other operating units				
Other cash received relating to investment activities				
Sub-total of cash inflows	34,107,476.13	86,949,147.10	14,706,577.65	39,164,085.60
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	74,753,029.94	18,288,448.03	132,720,196.14	19,055,440.28
Cash paid for acquiring investments	84,360.00	350,584,360.00	1,583,722.50	100,333,722.50
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units				
Other cash paid relating to investment activities				
Sub-total of cash outflows	74,837,389.94	368,872,808.03	134,303,918.64	119,389,162.78
Net cash flow from investing activities	-40,729,913.81	-281,923,660.93	-119,597,340.99	-80,225,077.18
3. Cash Flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings	618,491,153.94	470,000,000.00	17,000,000.00	
Cash received from issuing debentures				

Other proceeds relating to financing activities				
Sub-total of cash inflows	618,491,153.94	470,000,000.00	17,000,000.00	
Cash paid for settling debt	173,012,038.65	150,000,000.00	10,000,000.00	
Cash paid for distribution of dividends or profit or reimbursing interest	16,276,737.78	11,330,165.03	62,916,096.39	55,344,843.97
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities	694,513.72			
Sub-total of cash outflows	189,983,290.15	161,330,165.03	72,916,096.39	55,344,843.97
Net cash flow from financing activities	428,507,863.79	308,669,834.97	-55,916,096.39	-55,344,843.97
4. Effect of foreign exchange rate changes	-5,431,366.39		-2,614,692.50	
5. Increase in cash and cash equivalents	302,266,926.14	-22,668,398.56	36,318,643.42	107,227,316.14
Add : Cash and cash equivalents at period-begin	752,558,414.47	556,082,988.52	678,239,825.82	386,670,772.90
6. Cash and cash equivalents at the period-end	1,054,825,340.61	533,414,589.96	714,558,469.24	493,898,089.04

4.5 Auditors' Report

Auditor's opinion: Un-audited

Konka Group Co., Ltd.

Board of Directors

Oct. 29, 2008